

125th ANNUAL REPORT 1957 BOSTON AND MAINE RAILROAD

BOARDS

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125th ANNUAL REPORT 1957

for year ending December 31

BOSTON AND MAINE RAILROAD

BOARD OF DIRECTORS

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OFFICERS



OLIVER D. APPLETON
Chairman of the Board



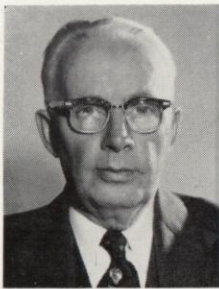
PATRICK B. MCGINNIS
President



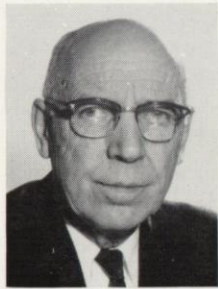
DANIEL A. BENSON
Vice President — Operations



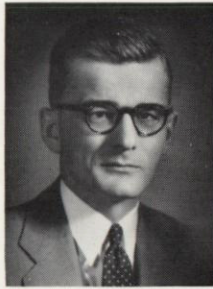
GEORGE F. GLACY
*Vice President — Accounting
 and Finance*



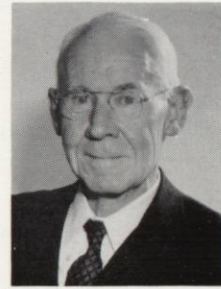
PATRICK J. MULLANEY
Vice President — Traffic



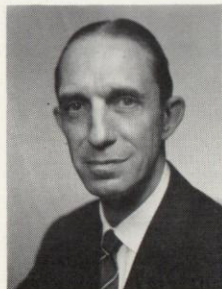
STANLEY G. PHILLIPS
*Vice President —
 Engineering*



RALPH W. PICKARD
Vice President — Personnel



FRANK W. ROURKE
Vice President — Staff



MAYNARD W. BULLIS
Clerk of the Corporation



THOROLD S. CURTIS
Treasurer



A. B. VIRKLER LEGATE
*Executive Assistant to the
 President*

TRANSFER AGENTS

Old Colony Trust Company, 45 Milk Street, Boston
 The Hanover Bank, 70 Broadway, New York City

TO THE STOCKHOLDERS:

In our 1956 report, we said that the restoration of our credit was our primary concern. In spite of the wide publicity being given to the problems of railroads, especially those incurring passenger traffic deficits, the restoration of our credit remains our main objective.

We also stated that credit can be maintained only if adequate net earnings are produced. We outlined five steps that we felt were necessary if adequate earnings were to be produced.

The first step called for making our heavy density freight lines among the finest anywhere. Accordingly, we went ahead with our long-range program calling for such strengthening of our main lines. Elsewhere in this report you will note that we laid ton upon ton of new rail and ballast, at the same time renewing many thousands of ties.

The second step called for the elimination of our passenger traffic deficit. To this end, we have petitioned the regulatory commissions of four states for relief. New York has already granted our application with respect to the Troy Branch; Massachusetts has granted our application with respect to the Medford Branch; and if our package applications in Massachusetts, Vermont and New Hampshire, now awaiting decision, are granted, we can expect our passenger operation deficit to be substantially reduced.

The third step dealt with stepped-up activity in the promotion of industrial development. We have been unwavering in our efforts to attract new plants and new businesses. We currently are negotiating with three firms on the construction of three power plants that are expected to burn a minimum of 800,000 tons of all-rail coal per year among them. Many other projects are being actively progressed.

Step four concerned increased activity in the two Piggyback plans. Your company is now actively engaged in both plans, and the results have been encouraging.

Finally, we said that these four steps must be advanced vigorously so that our \$47 million first mortgage bonds, maturing in 1960, may be refunded. In the opinion of your Management, the refunding of the 1960 bonds is dependent upon a substantial reduction of the passenger traffic deficit, and your management has placed that issue squarely before the regulatory bodies of Massachusetts, New Hampshire and Vermont.

Unfortunately, the late months of 1957 saw a severe decline in the volume of business throughout the country. The New England railroads were among those industries to feel this decline. Although the Boston and Maine was the sole New England railroad to report a higher net income for 1957 than for 1956, it was a relatively small increase, and could not have been attained had it not been for the curtailment of operating expenses.

We must continue our fight against unfair competitive practices and continue our determination to rid ourselves of unprofitable segments of our business. Early in 1958, a sub-committee of the United States Senate held hearings concerning the deteriorating railroad situation. It is our hope that constructive legislation and a beneficial revamping of the rules governing us will result.

Sincerely,

Patrick B. McEnnis

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REVIEW OF 1957

Our operating revenues amounted to \$85,953,927 or 2.4 per cent less than the \$88,038,520 volume of business realized in 1956.

Net railway operating income increased to \$5,519,203 from \$4,758,643 reported a year earlier. After miscellaneous adjustments, \$5,857,029 remained available for fixed charges, compared with \$5,161,665 in 1956. After fixed and contingent charges, net income was \$764,162, up 3.1 per cent from the 1956 profit of \$741,225.

Although your management continues to closely control the railroad's operating expenses, labor and material costs have been steadily increasing.

Under agreements negotiated on a national basis, our payroll costs were increased, effective November 1, 1956, by \$3,462,000 annually, including \$171,000 increased payroll taxes, and health and welfare benefits. A three-cents per hour cost-of-living increase amounting to \$787,000 annually, including \$47,500 increased payroll taxes, became effective May 1, 1957. Under the same agreement, effective November 1, 1957, a wage increase of seven cents per hour was granted, amounting to \$1,861,000 annually, including \$112,300 increased payroll taxes, and a cost-of-living increase of five cents per hour amounting to \$1,332,000 annually, including \$80,400 increased payroll taxes. In other words, since November 1, 1956, our wage costs have increased 27½ cents per hour, or total increases of \$7,442,000 per year, including payroll taxes of \$411,000. Each increase of one cent per hour costs the Railroad approximately \$270,000 per year, including payroll taxes.

RENTS

Rents payable in 1957 totaled \$5,883,182, compared with \$6,601,995 during 1956. Hire of freight cars amounted to \$5,529,627 as against \$6,058,326 during 1956.

The decision of the Interstate Commerce Commission sustaining the \$2.40 per diem rate established August 1, 1953, for the use of freight cars belonging to other railroads was appealed by the Boston and Maine and several other railroads to the United States District Court of Massachusetts, and the hearing was held in October. A decision on the appeal is still pending. On January 1, 1957, the per diem rate was increased to \$2.75 per car per day. Despite this rate hike, we were able to show a decrease of \$577,615 in the net per diem charge, due principally to the acquisition of 959 of the 2000 new freight cars ordered in 1955, of which 1,026 were delivered in 1956.

OTHER INCOME

Other income during 1957 amounted to \$905,384, compared with \$895,907 a year earlier.

TAX ACCRUALS

Railway tax accruals aggregated \$5,666,675 in 1957, compared with \$5,941,365 in 1956.

In 1957, adjustment of prior years' taxes resulted in a credit of \$391,721, compared with a credit of \$403,267 in 1956, which was also a result of adjustment of prior years' taxes.

Payroll taxes for employee retirement and unemployment and sickness benefits amounted to \$3,075,216 in 1957, compared with \$3,166,553 in 1956, a net decrease of \$91,337 despite an increase in the employee unemployment and sickness benefit tax from one and one-half to two per cent, effective January 1, 1957. The unemployment and sickness benefit tax increased in 1957 by \$129,168 over 1956, but this was more than offset by a decrease of \$220,505 from the 1956 retirement tax. A further increase to two and one-half per cent in the employee unemployment and sickness benefit tax became effective January 1, 1958.

The provision made for taxes is shown in the following table:

	1957	1956
State and Municipal Taxes	\$2,972,229	\$3,168,396
Federal Payroll Taxes	3,075,216	3,166,553
Federal Income Taxes Cr.	391,721 Cr.	403,267
Other Taxes	10,951	9,683

Settlement of federal income tax audit of the 1942-1950 tax years is expected to result in a net refund of \$11,084 due to an excess of funds on deposit with the District Director of Internal Revenue for coverage of tax deficiency. A federal income tax audit of the 1951-1954 tax years was completed during 1957, and it is expected that a net tax deficiency of approximately \$266,000 will result. A claim for refund of \$156,161 covering taxes and interest for the 1946 tax year of the Northern Railroad was filed with the District Director of Internal Revenue during 1957, and it is believed that there is a reasonable chance of the refund being made. This refund would be due the Boston and Maine Railroad under the terms of the lease with the Northern Railroad.

The New Hampshire state tax assessment for 1957 decreased from 1956 by \$11,126 despite an increase of \$1.30 per thousand in the

tax rate. This reduction was accomplished through successful efforts in obtaining a \$500,000 valuation reduction of our New Hampshire properties.

In the local field, important abatements of taxes were effected, including one on Rutherford Avenue and Mystic Wharf properties in Charlestown (Boston) of \$259,737, including interest.

OPERATING RESULTS

Gross ton miles for the year 1957 were 5.1 per cent below that for 1956, while net ton miles were less by 6.7 per cent. The larger percentage decrease in net ton miles was entirely attributable to a reduction in the proportion of loaded to total car miles handled in 1957.

In spite of the decline in traffic volume, train operating efficiency, as measured by gross ton miles per train hour, rose to the highest level in the history of the Railroad. This resulted from an increase of 47 gross tons per train load, which set a new record high, and a slight improvement in train speed between terminals.

PASSENGER BUSINESS

Commuters handled declined from 8,225,237 in 1956 to 7,374,368 in 1957, a reduction of about ten per cent.

Other passengers handled declined from 5,859,599 in 1956 to 4,667,729, a reduction of more than twenty per cent.

Higher passenger fares became effective in Massachusetts on May 1, 1957. The Railroad petitioned for a flat increase of 20 cents per ride, but the Massachusetts Department of Public Utilities decision permitted an increase on intrastate fares of 35 per cent, with a minimum of 10 cents per ride. An increase of 20 cents per ride, on interstate fares only, became effective on August 14 on authority granted by the Interstate Commerce Commission and similar increases were later permitted on intrastate fares in New Hampshire, Maine and Vermont. Fares in sleeping cars were increased 15 per cent on September 15.

In view of the slackening demand for rail service to resort areas, several unprofitable summer trains were not operated during the 1957 season.

Late in the year, a petition was filed to discontinue all passenger service west of Williamstown, Massachusetts, which involved principally our passenger operations in the State of New York. Our petition was granted, and discontinuance of service west of Williamstown became effective January 19, 1958. The estimated savings to the Railroad are \$250,000 per year.

Passenger operations on the Boston and Maine are currently resulting in a loss of approximately \$13,000,000 yearly. This is the figure produced by application of the Interstate Commerce Commission formula, which the Commission recently re-confirmed as being fair and realistic. An independent cost study of the Boston and Maine passenger operation produced a deficit of \$25,000,000 annually. Efforts have been made to reduce these losses by attracting additional riders through faster service, new equipment and advertising campaigns. In spite of this, patronage has continually declined. Efforts have been made to improve the financial situation by increasing fares, but the result was a loss of passengers. The Railroad's chief competitor for passenger service is the private automobile, and this competition has been augmented by the huge sums spent for highway improvements in the area we serve.

Of the total number of individuals commuting to and from Boston, 56.5 per cent travel in private automobiles; 33 per cent use the subsidized Metropolitan Transit Authority; and only 10.5 per cent use the three railroads that serve the city.

In recognition of this change in the American traveling habits, the Boston and Maine filed petitions with the regulatory commissions of Massachusetts, New Hampshire, Maine and Vermont on September 23, 1957, calling for the discontinuance of some one hundred and fifty lightly-patronized passenger trains. This involved the complete abandonment of passenger service on some lightly-patronized branches and the discontinuance of passenger service to some 26 stations served by the Metropolitan Transit Authority, the public agency operating subway and surface electric lines and buses in Boston and its immediate suburbs. The granting of all petitions in their entirety would permit a reduction of 1,814,000 passenger train miles per year, and the annual passenger deficit would be reduced by an estimated \$3,000,000 yearly. Such a streamlining of our passenger operations would also result in the retirement of one hundred and twenty-six old, conventional-type passenger coaches, whose cost of maintenance is almost prohibitive and would see all but a few of our passenger trains consisting of either Budd rail-diesel cars or our new Talgo train.

As of this writing, hearings in Massachusetts and Vermont have been concluded, while hearings in New Hampshire are approaching their completion.

HEAD-END BUSINESS

Mail revenue in 1957 amounted to \$3,150,210, an increase of 5.1 per cent over the \$2,996,475 revenue in 1956, resulting from

increased volume and a 7½ per cent rate increase that went into effect on November 1. Special studies have produced economies in the handling of mail. The reduced cost and increased revenue still fall short of those required for a profitable operation, and work will be continued toward correcting this condition.

Express revenue was \$905,283, a decrease of 29.5 per cent from the \$1,284,297 reported for 1956. This decrease was attributed to the costly strike by Railway Express Agency drivers and increased costs of the Agency, coupled with a general decline in their business. It is encouraging to report, however, that a 50 per cent reduction in car foot miles in express service made in 1956 was further reduced by 27.8 per cent during 1957.

Milk revenue amounted to \$1,252,841, a 4.4 per cent decrease from the \$1,311,080 reported a year ago, due principally to physical changes at processing plants and to the type of products produced as the milk market changed. Twenty new milk cars were received in December of 1957, used immediately in the handling of Christmas mail, then assigned to replace milk cars needing extensive repairs or replacements. Fifteen additional cars were scheduled for delivery in January of 1958 to replace the remainder of the obsolete equipment.

During 1957, your company cooperated with the other New England railroads in obtaining an 8.8 per cent increase in rates on newspapers moving on passenger trains.

Probably the most important change in our head-end operations during the year were the substituted truck operations. During 1957, a total of 423,341 truck miles were operated to handle mail, express and less-than-carload freight in lieu of train service. Other truck service was operated exclusively for less-than-carload freight. Some routes handle express, others carry mail and still others carry both mail and express. Some carry less-than-carload freight with head-end traffic. Each truck route has been justified on the basis of train savings which have been made by the substitution of Budd equipment for conventional-type trains, or, in some cases, by the complete elimination of unprofitable trains.

FREIGHT BUSINESS

Freight revenues in 1957 amounted to \$66,516,504, a decline of 2.1 per cent from the 1956 revenues of \$67,941,421. The decline in freight volume measured in revenue ton miles was 6.9 per cent, while revenue per ton per mile increased from \$2.212 in 1956 to

\$2.326 in 1957, or 5.2 per cent as a result of general increases made in freight rates throughout the country on December 28, 1956 and August 26, 1957.

During the first three months of 1957, freight revenue showed a slight increase over the preceding year, but a continuing and increasing weakness in the general industrial picture adversely affected the Railroad during the last nine months of the year.

Additional adverse factors were the strike in the cement industry during the summer and a substantial reduction in the volume of automobiles and automobile parts handled, the last being due to plant changes in our area. As is usual in times of declining industrial activity, inventories were greatly reduced during the year, with the resulting decline in the movement of both raw materials and manufactured products.

Following extensive hearings before the Interstate Commerce Commission in Ex Parte 206 subsequent to the interim increase which was made effective on December 28, 1956, the Commission permitted further general increases in freight rates, which became effective throughout the United States on August 26, 1957. Instead of a 22 per cent increase, which had been requested in the East, the Commission permitted an increase of 14 per cent in lieu of the 7 per cent previously granted, subject to various maximums and hold-downs. The increases granted and taken inter-territorially and in territories other than the East were somewhat lower, and many downward adjustments have been made and are still being negotiated because of the effect on the competitive situation between producers.

In an effort to obtain more revenue in a manner consistent with suggestions made by the Commission in its decision in Ex Parte 206, the carriers published tariffs with an effective date of February 15, 1958, making further increases on a selective basis in the rates on many commodities and also on various miscellaneous services which have not been supporting their proper share of the transportation burden. The Commission permitted most of the small increases in rates to become effective on February 15, 1958, but suspended many of the proposed charges for miscellaneous services. These will be heard separately by the Commission. It is anticipated that the adjustments which were permitted to become effective will result in additional revenue for the Boston and Maine of approximately \$500,000 a year.

Mention was made in our 1956 annual report of the decision of the Holyoke Water Power Company to construct an electric power

plant on the Boston and Maine's Connecticut River line at Mount Tom, Massachusetts. A plant of similar original capacity will be constructed by the New Hampshire Public Service Company on the main line of the Boston and Maine's New Hampshire Division in the town of Bow, a few miles south of Concord, New Hampshire. It is expected that the first unit of this plant will go into operation in 1960. The Boston and Maine anticipates receiving a minimum of 600,000 tons of bituminous coal annually as the result of construction of the Mount Tom and the Bow plants, which will result in an increase of approximately 50 per cent in the volume of bituminous coal which the Railroad has been handling.

PIGGYBACK

About the middle of the year the Boston and Maine extended its piggyback service to include the handling of trailers of common carrier motor truck operators between Boston and Worcester, Massachusetts, on the one hand and a number of points in the Middle West on the other. This service was later extended to include operations to and from Holyoke, Massachusetts. This was worked out jointly with the Erie and Pennsylvania Railroads, with the Delaware and Hudson Railroad as a bridge carrier, and immediately resulted in a very substantial increase in the volume of piggyback shipments. The volume of this traffic has proved to be very volatile, depending upon the general level of business and the ability of rail service to attract the traffic of the common carrier trucking companies in competition with through over-the-road service from origin to destination.

In the meantime, our Plan II Piggyback operation, where the Railroad provides the complete service from the shipper's door to the customer's door, has held up well in the face of generally declining traffic.

For Plan I Piggyback traffic, we have ramps at Boston, Worcester and Holyoke. Plan II utilizes these three ramps in addition to ramps at Lowell and Portland.

INDUSTRIAL DEVELOPMENT

The program of fostering industrial development on the Railroad was continued by organizing the Pine Tree Corporation and the Charlestown Waterfront Facilities, Inc. as subsidiaries. Several hundred acres of land in Maine, New Hampshire and Massachusetts, as well as buildings in Gardner and Lowell, Massachusetts, were acquired for development purposes.

In the interest of community cooperation and additional traffic for the Railroad, Charlestown Waterfront Facilities, Inc., purchased the vacant plant of the Florence Stove Company in Gardner, Massachusetts. This purchase enabled the Railroad to relocate in this property the A & P Corrugated Box Company of Lowell, Massachusetts, which required expanded facilities not available at its present location and which had sought a favorable location elsewhere in New England. This is a valuable traffic account for the Railroad, and its relocation in Gardner will mean additional rail business and new employment for the community.

During the year, approximately 10,000 feet of new trackage was installed for industrial purposes and 1,400,000 square feet of land were sold for industrial development. In addition, leases were negotiated for considerable other property. In total, about 24,000,000 square feet of land were sold, a substantial part of which was abandoned right-of-way property having no value to the Railroad as a means of creating traffic.

While industrial development activity tapered off during the latter part of the year due to the general recession in business, several important new projects are now under active development and should crystallize in 1958. It is estimated that new traffic for the Boston and Maine, resulting from industrial development projects which were either concluded at year's end or which were in process, will aggregate over 20,000 cars annually. The three most important of these are the new power plants of the Holyoke Water Power Company at Mount Tom, Massachusetts, and the Public Service Company of New Hampshire at Bow, New Hampshire, and the new refinery of the American Sugar Refining Company at Charlestown, Massachusetts.

Total investment involved in new plant construction and expansion of facilities in Boston and Maine territory under construction or projected in 1957 amounted to about \$87,000,000, an increase of about \$35,000,000 over the previous year.

WAGE AND WORKING RULES

The year 1957 witnessed the conclusion of the stabilization of wages and working conditions on the basis of three-year contracts with all the standard railroad brotherhoods.

At the beginning of 1957, pattern settlements had been concluded with the non-operating brotherhoods and with the Brotherhood of Railroad Firemen and Enginemen. On the dates indicated

below, agreements on a national basis were negotiated with the organizations listed:

April 15 — Brotherhood of Railroad Trainmen

May 3 — Railroad Yardmasters of America

June 12 — Order of Railroad Conductors and Brakemen

July 18 — Brotherhood of Locomotive Engineers

Each of the agreements was for a three-year term, ending November 1, 1959. Provision was made for wage increases of seven cents an hour on November 1, 1957, and seven cents an hour on November 1, 1958. In addition, there are adjustments on November 1 and May 1 of each year of one cent an hour for each half percentage point of increase or decrease in the Bureau of Labor Statistics Cost-of-Living Index. On May 1, 1957, there was an increase of three cents an hour, and on November 1, 1957, an additional increase of five cents an hour.

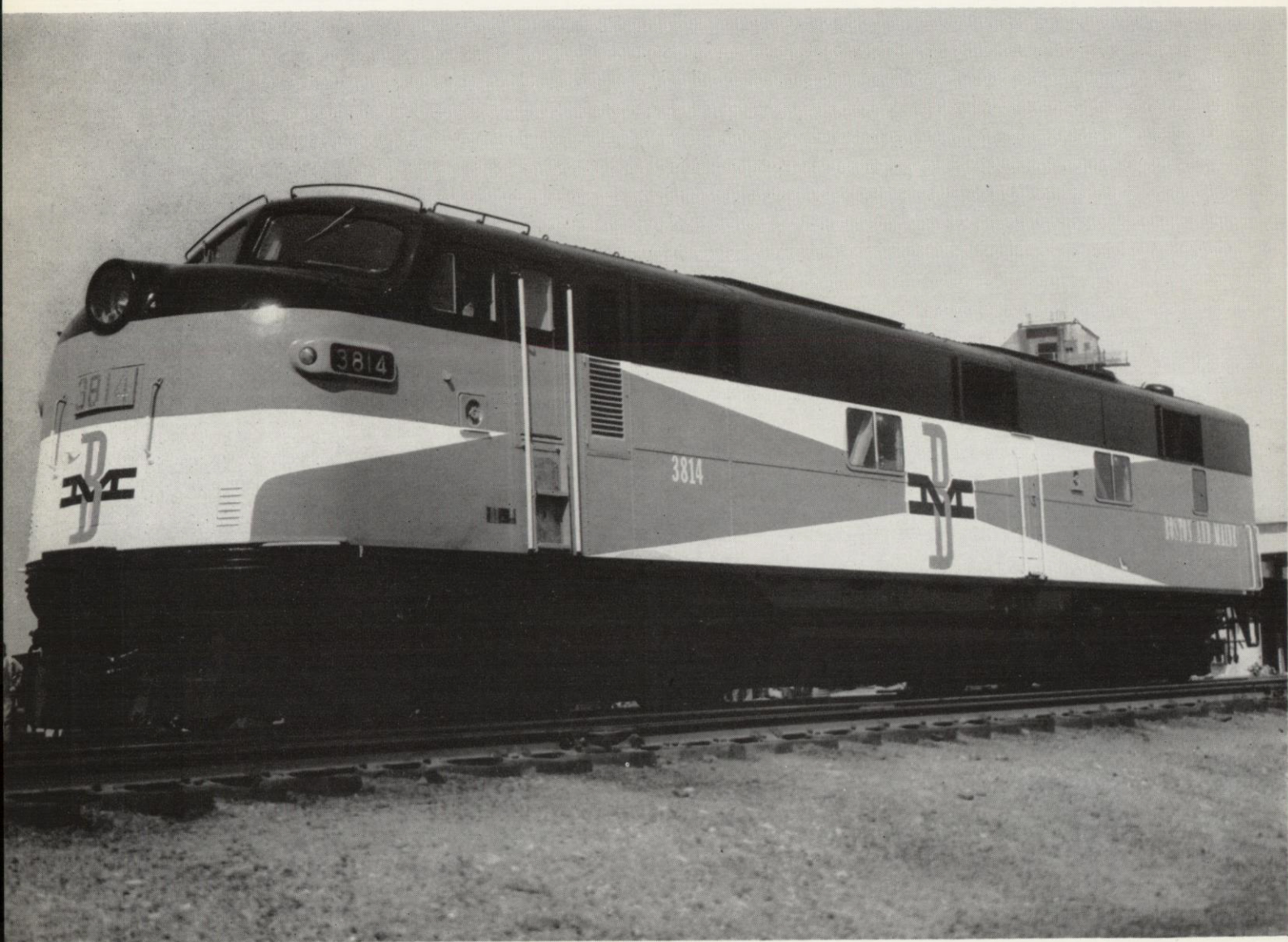
The agreements also prohibit the progression of notices for changes in basic rates of pay or changes in rules resulting in money payments by either the Railroads or the Brotherhoods during the life of the agreements.

In the case of the Brotherhood of Locomotive Engineers, the increases in basic rates of pay are slightly in excess of the seven cents an hour mentioned in a preceding paragraph, this being in settlement of contentions made by the organization that skills required in the performance of their work warranted the higher increase.

The execution of these national agreements has resulted in a degree of stability in wage rates and rules payments as anticipated in the annual report for 1956.

On May 22, 1957, in lieu of the wage increases granted to the members of the labor brotherhoods, effective May 1, 1957, and not granted to key employees, the Railroad placed in effect the Savings and Investment Plan, under which approximately 327 key employees agreed to purchase shares of common stock of the Railroad in amounts of from 20 to 100 shares over a three-year period. Under the plan, the Railroad will, at the end of the three-year period, grant to each of these employees one share for each share he purchases. The Railroad also granted a stock option equivalent to the number of shares subscribed for by each employee participating in the plan. The option price is \$16.

On November 1, 1957, in lieu of the wage increases granted to the members of the labor brotherhoods, effective November 1, 1957, amounting to approximately 7½ per cent and not granted to non-union members, the Boston and Maine Railroad Salary Stock



One of 50 new 1,750 horsepower freight locomotives.



Budd rail-diesel car (left) and new Fairbanks-Morse locomotive used with Talgo train (right).

Acquisition Trust was established. Under the terms of this trust, employees whose annual salaries range from \$8,000 to \$17,500 will receive on October 31, 1960, an amount of common stock equal to 7½ per cent of their annual compensation multiplied by three and divided by the average cost of a share acquired by the trustees pursuant to the plan. The Railroad will contribute approximately \$7,000 monthly to this trust. At the same time, the Railroad granted an increase of \$275 per annum to all non-union employees whose salary was less than \$8,000.

NEW EQUIPMENT

During 1957, the Boston and Maine placed in service three additional stainless-steel, air-conditioned rail diesel cars, manufactured by the Budd Company and used primarily for commuting in the Boston suburban area. Five more Budd cars were delivered early in 1958, and their arrival gave the Boston and Maine a total ownership of 108 of these cars, by far the largest such fleet in the world. The utilization of these mobile units, most of which are self-propelled, permits the retirement of much obsolete passenger-coach equipment, as well as the retirement or diversion to other uses of our diesel locomotives.

Received also in 1957 were fifty 1,750-horsepower freight locomotives, built by the Electro-Motive Division of General Motors Corporation to replace 50 obsolete units in need of heavy repairs. An additional 539 steel box cars, equipped with roller bearings and nailable steel floorings, were also delivered. Received and placed in service during the year were 90 flat cars, ten gypsum cars, 300 open-top hopper cars and 20 insulated milk cars. The remaining 15 insulated milk cars on order were delivered early in 1958.

In February of 1958, your management received its new low-center-of-gravity, streamlined Talgo train, complete with its twin-end 1,200-horsepower Fairbanks-Morse locomotives, at a total cost of \$1,236,095. The Talgo, manufactured by ACF Industries, Inc., was placed in commuting service early in 1958. Original plans to place the Talgo in long-haul passenger service were amended, your management discovering that the dwindling volume of the long-haul business does not warrant such use of this functional train.

During 1957, the Railroad also converted 40 steel box cars to grain cars for the handling of feed in bulk. We completed the engineering to convert ten flat cars to Piggyback service, and ordered the material to make the conversion during 1958.

Total revenue freight car ownership plus leased cars at the end of 1957 was 6,493, which was 837 cars more than the railroad possessed at the beginning of the year.

UPGRADING FREIGHT CARS

The program of upgrading revenue freight cars, instituted in 1955, under an arrangement whereby our oldest cars are sold to an equipment company, repaired in our shops at the expense of the purchaser and leased from the purchaser by the railroad, was completed during 1957.

Under this program, a total of 1,300 box cars and 650 gondola cars have been rebuilt. Of this total, 426 gondola cars were restored in 1957.

PROPERTY IMPROVEMENTS

In last year's annual report, your management stated that 42 per cent of the Railroad produces only two per cent of the freight business; that 58 per cent of the Railroad produces the other 98 per cent of the freight business; and, finally, that the 27 per cent of the Railroad lying between Mechanicville and Boston, between Worcester and Lowell, and between Lowell and Portland produces 74 per cent of the freight business.

Consequently, we stated, our maintenance of way problem concerns itself primarily with 27 per cent of the Railroad and, at the most, with 58 per cent of the Railroad.

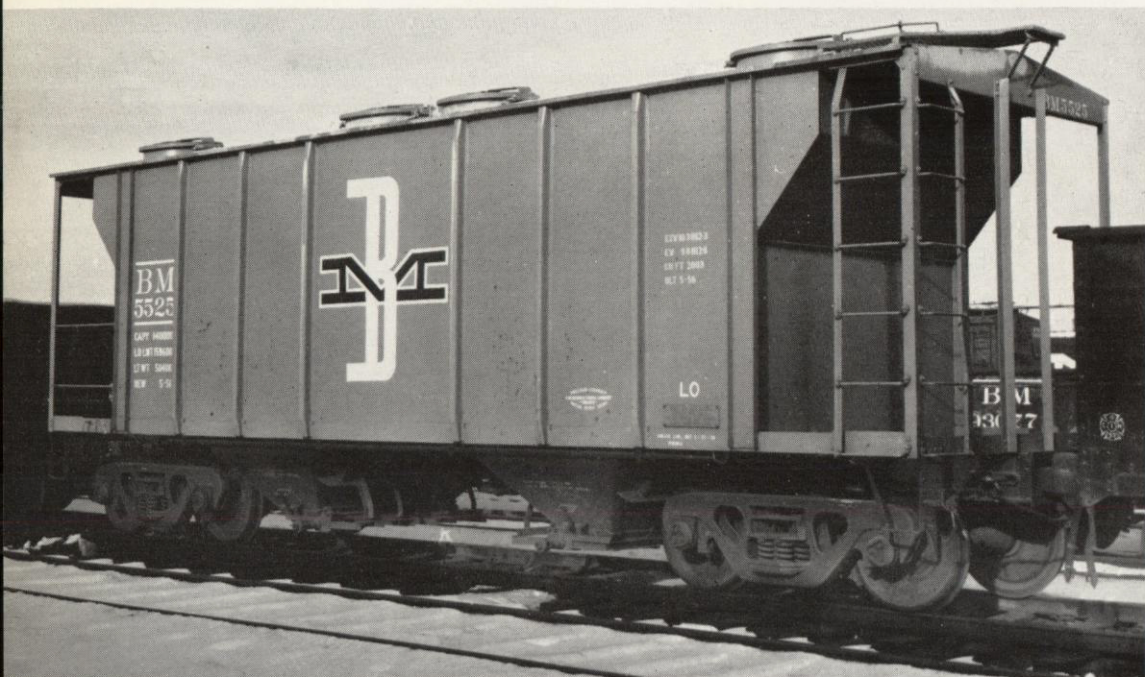
Accordingly, we continued our program of strengthening such segments of our roadway. During 1957, for instance, a total of 111.2 single track miles of main line track was ballasted with stone. In addition, a total of 102.1 single track miles of stone-ballasted main track was re-surfaced. This work involved the application of 298,286 tons of crushed stone.

New rail laid in 1957 totalled 1,599.3 tons, while 2,485.4 tons of relay rail were laid, or a 1957 total of 4,084.7 tons, compared with 783.2 tons of new rail and 2,712 tons of relay rail, or a total of 3,495.2 tons in 1956.

A total of 63,925 cross ties were installed in 1957, compared with 90,537 laid the previous year.

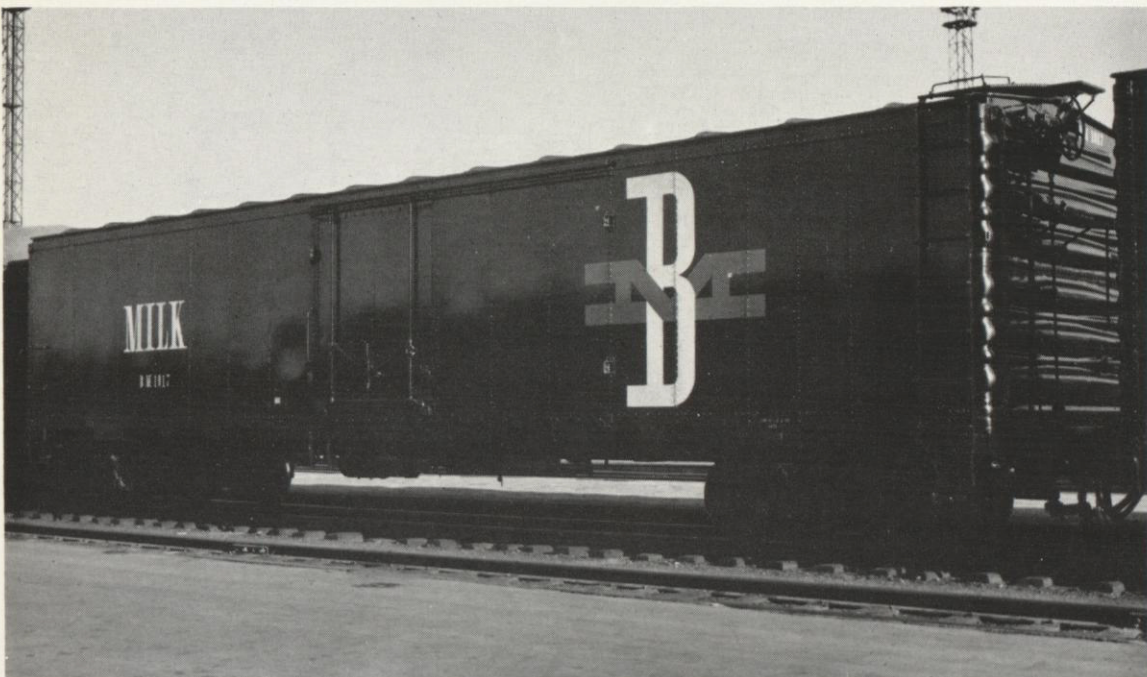
Of major importance was the project of single-tracking the Hoosac Tunnel, $4\frac{3}{4}$ miles in length, to provide increased clearances for the handling of Piggyback loads. Two other major single-tracking projects were started during the year, one on the Stony Brook

Covered hopper car, equipped with roller bearings.



New gondola car, equipped with roller bearings.

One of 35 new milk cars, equipped with roller bearings.



New box car, featuring nailable steel flooring and roller bearings.

branch between Ayer and North Chelmsford, Massachusetts, and the other on the East Route main line between North Beverly and Newburyport, Massachusetts.

The large number of Budd cars in use in suburban service permitted the retirement of Passenger Yard #1 in Boston.

The major grade crossing elimination project at Winchester, Massachusetts, has been practically completed. The major grade crossing elimination project at Salem, Massachusetts, was actively progressed during the year, and on December 31 was considered 68 per cent completed. The demolition of the old tunnel is well under way, and construction of a new tunnel continues.

During 1957, thirteen public highway crossings were eliminated, while six new public highway crossings were installed. Automatic highway crossing protection installations were placed in service at ten locations.

Of major importance was the elimination of 527 private crossings during 1957. An unrelenting campaign to close every private crossing possible continues. Your management strongly feels that this campaign is of the utmost importance in order to reduce the appalling number of death and accident claims against the Railroad, as well as to provide maximum safety to the public.

Our various centralized traffic control projects are well under way, and substantial reductions in operating costs are expected to be realized as a result of this work.

Our Engineering Department, during 1957, installed facilities for Piggyback operations at East Cambridge, Holyoke and Lowell.

During the past few years, many advanced, efficient machines for track work have been developed, and your management has taken advantage of the availability of such equipment by purchasing 94 major items in this field, including multiple tie tampers, a cribber-adzing machine, ballast regulators, spike pullers, snow blowers and others. The use of this modern, new equipment has permitted our track forces to accomplish much more work in a shorter period of time than before.

No improvement to your property during 1957 could be considered of more importance than the completion of the Budd Service Building, erected at a cost, including facilities, of nearly \$1,500,000.

As the Railroad was building up the largest fleet of Budd cars in the world in order to provide the finest and most economically operated commuter service anywhere, it soon became evident that

a modern "assembly line" system of daily maintenance and inspection of the fleet was a necessity.

Such a facility was constructed and was placed in operation on December 17, 1957.

The facility consists of a building 720 feet in length, housing two tracks which will accommodate eight Budd cars each. Retractable hose lines and related equipment are so located that a complete Budd train can be inspected and serviced in 20 minutes. Servicing includes supplying each car with drinking water, treated engine water, fuel oil, transmission and lubricating oil and sand, and flushing snow and ice from the undergear with hot water, plus inspection of cab indicators and operating devices to conform with regulations of the Interstate Commerce Commission.

An automatic ten-brush car washer, whose control room is integrated with the Budd Service Building, is located on a track adjacent to the building. Cars are routed through this track after leaving the Service Building.

The anticipated operational efficiency of this facility has been more than realized in the servicing of the Budd fleet, which now numbers 108 units.

Since this type of service facility is unique in the railroad industry, widespread interest has been displayed by railroads and equipment manufacturers throughout the United States and Canada.

MYSTIC TERMINAL COMPANY

A total of 404 domestic and foreign ships were berthed at the Hoosac and Mystic piers during 1957, compared with 364 in 1956.

These ships loaded and unloaded 460,650 gross tons of cargo, including 204,214 gross tons of export grain during 1957, compared with 356,600 gross tons of cargo, including 89,186 gross tons of export grain in 1956.

A total of 8,441 freight cars were handled in 1957, compared with 7,161 cars in 1956.

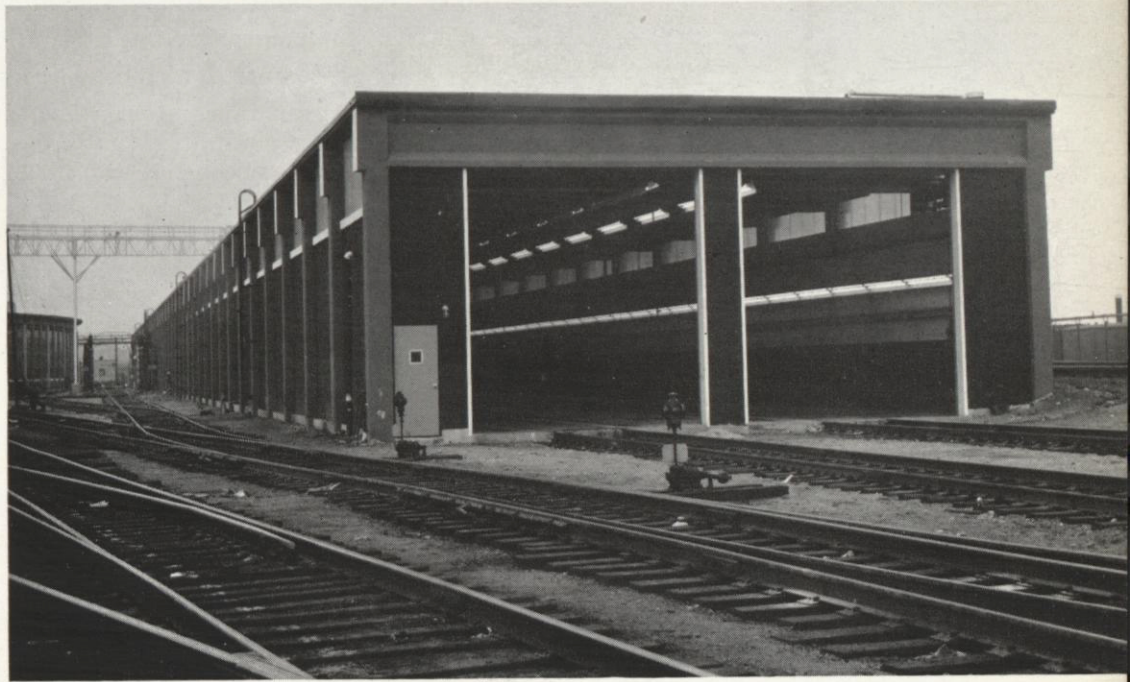
During 1957, changes in the Port of Boston berthing facilities permitted certain moves favorable to the Mystic Terminal Company, which resulted in the addition of all remaining services of the Peabody & Lane agency; namely, Black Diamond, Fernville Line, Barber-Wilhelmsen, Lloyd-Brasileiro and the French Line. These moves were in exchange for the transfer of Furness-Withy's Liverpool passenger/cargo service and vessels in Boston shipping corporation runs, all of which were less attractive to us, to other berths.

Offshore services from the Mystic Terminal Company now provide practically world-wide coverage.



Interior view of our new \$1,500,000 Budd Service Building.

Air view of Boston Engine Terminal and new Budd Service Building.



Entrance to new Budd Service Building.

The lease of the Hoosac Grain Elevator to the Interoceanic Commodities Corporation was terminated during 1957, and the operation of the elevator is now under the direct supervision of the Railroad. During 1957, a total of 8,160,530 bushels of grain were delivered to ships from the elevator, an increase of 4,356,057 bushels over 1956.

Additional leases of areas at the Mystic Docks during 1957 further improved the utilization of this valuable property.

A fire of major proportions occurred on July 27, 1957, severely damaging the docks in the Mystic Wharf area and completely destroying new work which had been accomplished up to that point in the rehabilitation and modernization of these facilities. Settlement with the insurance companies was still being negotiated at year's end. The scrap dock, which was less severely damaged, is being restored to service.

BOSTON & MAINE TRANSPORTATION COMPANY

Passenger-bus operations of the Boston & Maine Transportation Company, a wholly-owned subsidiary of the Railroad, had been entirely discontinued by the end of 1957 under temporary authority. Permanent authority is expected after completion of hearings. These operations had been conducted at a loss, and your management has been successful in transferring all of these passenger-bus routes to various operators of motor coach service in our area.

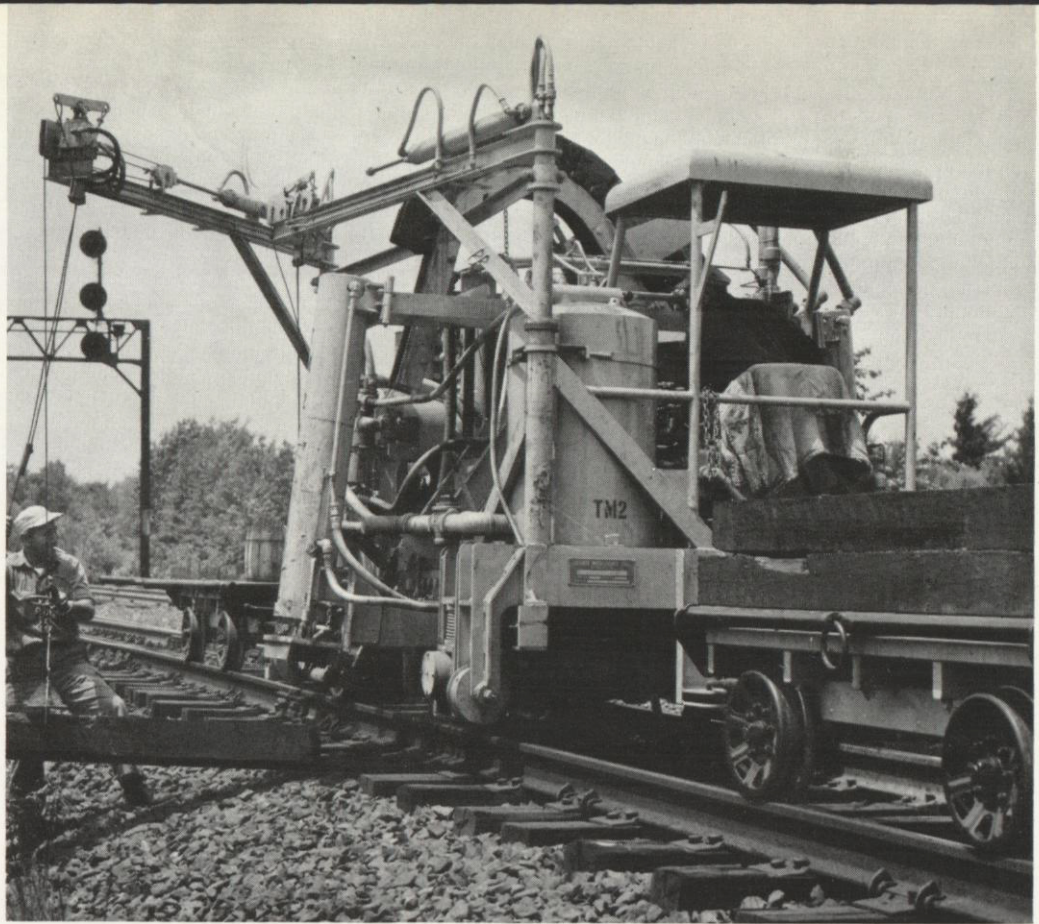
Revenue from the company's truck operations increased 9.8 per cent over 1956, as compared with an increase of 4.3 per cent in expenses. The increased revenue was the result of handling additional mail and express for the Railroad, with resulting economy to the Railroad, and operating the terminal segment of the Railroad's Plan II piggyback service.

At the end of the year the truck fleet consisted of 19 single unit trucks, 44 tractors and 72 trailers, in addition to 50 trailers on lease to the Railroad for piggyback service.

MISCELLANEOUS DEVELOPMENTS

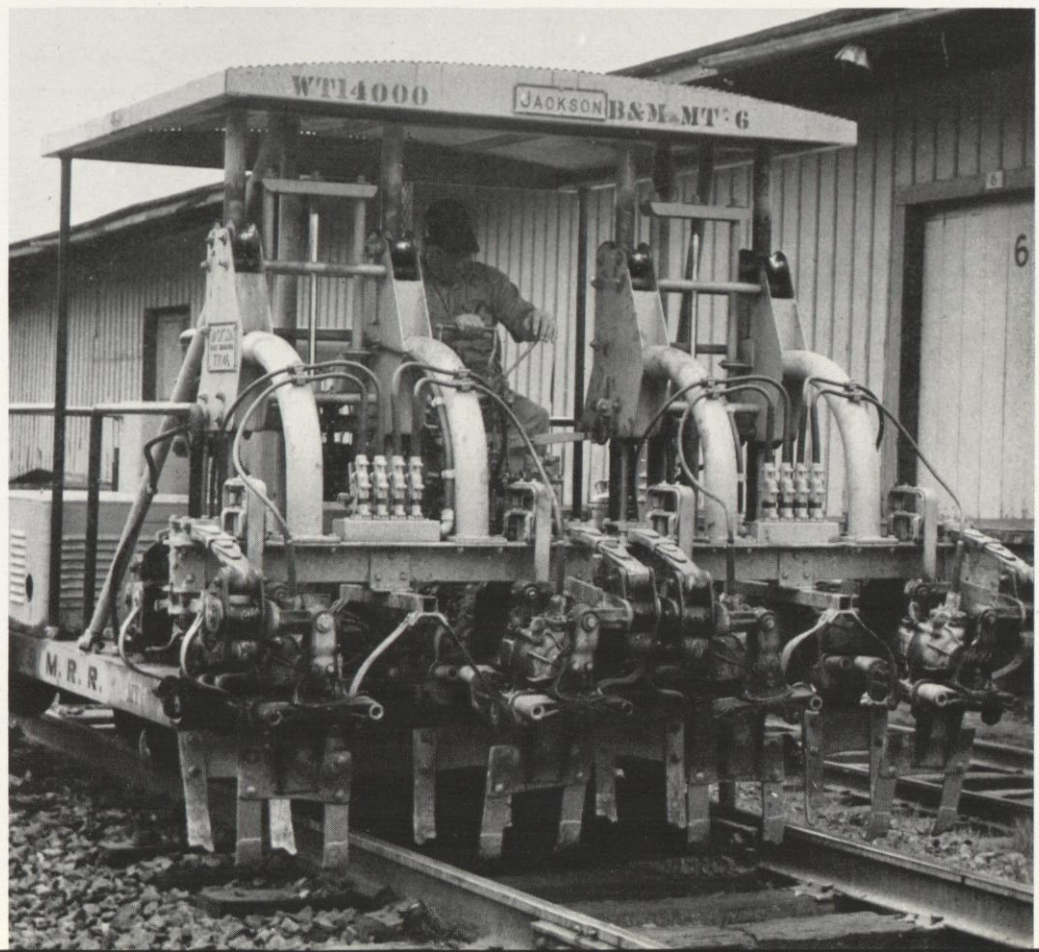
The Railroad's 1956 annual report to stockholders made mention of the formation of the Facilities Study Project Group, composed of representatives of every department and charged with the responsibility of effecting savings in the operations of agencies and stations. The report brought out that first-year savings of \$74,150 and annual savings thereafter of \$46,060 had been realized.

The group continued its studies during 1957, and forwarded recommendations that resulted in additional first-year savings of \$141,920 and annual savings of \$100,673.



New 9-ton Tiemaster, used in track work.

New Multiple Tamper, used in track work.



In other words, the recommendations of this group of employees have made it possible for the Railroad to take certain steps that have resulted in initial first-year savings of \$216,070 and annual savings thereafter of \$146,733, all within a period of less than two years.

In 1956, the New York Central, Delaware & Hudson and Boston and Maine Railroads (as joint owners of the Troy Union Railroad) undertook negotiations with a civic committee of the city of Troy, New York, to turn over to the city the Troy Union Railroad passenger station and related areas. Involved was the abandonment of all passenger service to Troy. To accomplish the over-all objective, it became necessary for the railroads to arrange for certain changes in service. This was effected during 1956-57, and petitions were formally filed in 1957 with the New York Public Service Commission.

The petitions were favorably acted upon, and Boston and Maine passenger trains to Troy were discontinued early in 1958. Your Railroad realized very substantial savings through: a) reduction of non-profitable passenger train mileage; b) elimination of taxes and operating and maintenance costs on its wholly-owned locomotive and car repair and inspection facilities at Troy; and c) sharply-reduced taxes and reduced operating and maintenance costs of the jointly-owned Troy Union Railroad.

Through the introduction of improved paper work techniques and new mechanical-electronic procedures, savings approximating \$150,000 annually were made in the accounting department during 1957. Mechanization of freight interline accounting was increased from ten per cent at the end of 1956 to 60 per cent by the end of 1957. Univac service will be extended to areas outside the accounting department during 1958, when the central data processing bureau is established. The offices of the auditor of freight receipts, auditor of passenger receipts and auditor of agencies were consolidated under one auditor of revenue during the year, resulting in appreciable operating savings. A new telephone dictation system was installed, resulting in substantial economies.

On June 4, 1957, employees of seven mechanical crafts, without giving warning to management, illegally left their work and set up picket lines which were honored by other labor organizations. The result was a complete cessation of passenger service. On application of the Railroad, continuance of the work stoppage was enjoined by the courts. The men returned to work on the afternoon of June 5, and normal service was resumed that evening.

During 1957, the income tax and property tax phases of the tax bureau were divided, and the income tax phase was placed under the direction of the Vice President-Accounting and Finance.

As a result of litigation on 1956 taxes, the 1957 valuation of Boston and Maine property was reduced by \$1,000,000 in Boston, by \$557,000 in Springfield and by \$200,000 in Billerica, Massachusetts. The ad valorem value of your property in New Hampshire was reduced by \$500,000. Tax valuations in New York State were reduced by about \$130,000, while those in Vermont remained the same as in 1956.

The case involving equalization of rates at North Atlantic ports was progressed in 1957 under a special procedure wherein both parties filed evidence in advance of hearing. Hearings were set for cross examination for early in 1958.

CAPITAL CHANGES

In July of 1957, the Interstate Commerce Commission announced that the Boston and Maine's 5 per cent Preferred Stock Exchange Plan had been reconsidered and approved. The plan had been approved by the stockholders at the annual meeting held on April 11, 1956.

Briefly, the plan provides that each holder of five per cent Preferred Stock would have the privilege of voluntarily exchanging such stock for new five per cent Income Debenture Bonds on the basis of \$100 in principal amount of debentures, plus \$5 in debenture scrip for each share of Preferred Stock exchanged.

In approving the plan, the Interstate Commerce Commission took occasion to point out in the report that "Present management, which assumed its duties in 1955, has initiated many activities which promise well for the future. . . . The present Boston and Maine is a vastly improved railroad as compared with that which existed during the 1945-1954 period used in computing the average annual amount available for fixed charges."

Management hopes to put this exchange into effect in 1958.

DEBT

The Corporation's debt outstanding as of December 31, 1957, excluding treasury holdings and bonds deposited with Trustee in lieu of mortgaged property sold, amounted to \$112,305,741. This amount included conditional sale agreements of \$23,712,941 and Equipment Trust Certificates, Series 1 of \$17,276,000. There are outstanding 266,796 shares of 5% preferred stock and 547,608 shares of common stock.

Debt at end of 1957 consisted of the following:

Fixed Interest:

4% Bonds due July 1, 1960.....	\$47,077,300
4¾% Bonds due April 1, 1961..	897,000
5% Bonds due September 1, 1967	2,424,000
Collateral Note due July 16, 1959	1,550,000
Equipment Trust Certificates, Series 1	17,276,000
Conditional Sale Agreements...	23,712,941
Total	<u>\$92,937,241</u>

Contingent Interest:

4½% Bonds due July 1, 1970...	<u>\$19,368,500</u>
Total Debt	\$112,305,741

CHANGES IN DEBT

Changes in debt during the year occurred as follows:

Funded Debt reacquired:

4% Bonds due July 1, 1960.....	\$	49,000
4½% Bonds due July 1, 1970.....		127,000
	\$	<u>176,000</u>

Collateral Notes:

Note discharged during the year	\$	1,664,651
Principal payments made on note due July 16, 1959		50,000
	\$	<u>1,714,651</u>
Note issued, due July 16, 1959		1,600,000
Net decrease in Collateral Notes	\$	114,651
Net reduction in funded debt	\$	290,651
Equipment obligations added on account of new equipment acquired	\$	17,061,220
Equipment obligations discharged during the year		3,888,822
Net increase in equipment obligations	\$	<u>13,172,398</u>
Total increase in debt	\$	\$ 12,881,747

FINANCING

The last of the fifty 1,750-horsepower freight locomotives re-manufactured by the Electro-Motive Division of General Motors Corporation was received on December 30, 1957. These were financed by General Motors Acceptance Corporation over 120 months in equal payments, with interest on the respective unpaid balances at the rate of $1\frac{1}{2}$ per cent over, above and in addition to the average of the rate of return on the date of delivery of each locomotive on the bonds of General Motors Acceptance Corporation due in 1964 and 1972.

Financing for the five new Budd cars is covered by a conditional sale agreement with the Budd Company (assigned to the First Pennsylvania Banking & Trust Company) requiring a 15 per cent down payment of the purchase price with 60 monthly payments on the unpaid balance beginning May 1, 1958, with interest at 5 per cent. These five cars were delivered early in 1958.

In February of 1958, the low-center-of-gravity, streamlined Talgo train was received and placed in service. Financing of the total cost of \$12,36,095 is by two conditional sale agreements maturing in January, 1963, with ACF Industries, Inc. for the cars and Fairbanks Morse Co. for the locomotives. Down payments of 10 per cent were made in December and the second 10 per cent down payments are due in six months, with interest at 6 per cent on unpaid balances to maturity.

Of the \$23,151,130 worth of equipment ordered in 1955, financed by Equipment Trust Certificates, Series 1, all has been received and placed in service with the exception of one steel insulated refrigerator car, which is expected soon.

EMPLOYEES

It is our sincere hope that we receive from our employees their invaluable loyalty and assistance in a spirit of understanding during these trying days so that we may continue with renewed vigor and confidence our attempts to overcome the many problems which beset the railroad industry today.

CONCLUSION

New England continues to grow, and every indication points to strength and development. Many are the signs by which one arrives at this conclusion. An unprecedented era of new construction is well on its way. One of the most impressive signs is the actual commencement of a \$100,000,000 development in the City of Boston by one of the larger insurance companies. The electronics industry has chosen New England as its principal manufacturing location. Equally impressive are the number of important government contracts which have been awarded to the firms in the area served by the Boston and Maine. The new Atomic Energy plant in Rowe, Massachusetts, the new Holyoke Water Power Company plant at Mount Tom, Massachusetts, and the new New Hampshire Public Service Company plant at Bow, New Hampshire, all reflect the growing confidence in the future of New England by those who guide the destiny of New England industry.

Of particular interest to the stockholders of this company is the prospect of prosperity ahead for the Boston and Maine Railroad. This lies largely in the ability of your Management to reduce the deficit arising from the passenger business. To this end, the presentation and trial of the package applications for curtailment and re-scheduling of passenger service have been practically completed and are now awaiting decisions. If these applications are approved, the resultant savings to this railroad are expected to be so substantial as to clearly pattern the turn-about in the entire financial picture. It is an incontrovertible fact that a reduction of losses from the passenger business, which in turn will result in an appreciable increase in net earnings, should clearly point the way toward a complete solution of the 1960 bond maturity.

Moreover, the continued efforts of your Management to increase the productivity of labor by the introduction of modern techniques and equipment will have a marked effect on the overall picture. The completion of the program to make our heavy-density lines the finest in the world, our program of purchasing or leasing modern new rolling stock and other management programs set forth in this report will have far-reaching results in the attainment of the objective of restoring the credit of the Boston and Maine Railroad and assuring its prosperous future. The reduction in operating expenses in 1957, in spite of increased cost of materials and the still spiraling wage pattern, is the best evidence of management achievement.

Great and many are the problems which have plagued the railroad industry throughout the United States during the year 1957. It is under and against these difficulties that your Management, in common with all other passenger-carrying railroads, has had to work during the past year to attain the progress which has been made.

Your Management looks forward to increased profitable freight business and relief from unprofitable passenger business. With confidence in the future, to the attainment of these objectives your Management is sincerely dedicated.

Alvin D. Appleton

Chairman of the Board

Patrick B. McGinnis

President

ASSETS

CURRENT ASSETS

*Cash	\$ 3,466,004 (A)
*U. S. Government obligations, at cost	6,455,000 (B)
*Special deposits	2,844,452
Receivables	7,202,158
Materials and supplies	5,417,538
Other current assets	1,681,693
TOTAL CURRENT ASSETS	\$ 27,066,845

DEFERRED CHARGES, ETC.	1,928,785
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TRANSPORTATION AND OTHER PHYSICAL PROPERTY

Road	\$198,797,332	
Equipment	91,749,483	
Acquisition adjustment	(3,337,339)	
Donations and grants	(258,090)	
Recorded depreciation and amortization, road	(10,359,402)	
Recorded depreciation and amortization, equipment	(17,772,733)	
Investment in transportation property	\$258,819,251	
Miscellaneous physical property	948,542	
TOTAL TRANSPORTATION AND OTHER PHYSICAL PROPERTY		259,767,793

INVESTMENTS AND FUNDS

*Affiliated companies	\$ 2,780,145 (C)	
*Other investments	3,335,459	
*Miscellaneous funds and deposits	704,900	
TOTAL INVESTMENTS AND FUNDS		6,820,504
TOTAL ASSETS		<u>\$295,583,927</u>

(Denotes red figures)

(A) Includes Cash in Transit \$640,872

(B) Includes \$4,000,000 Pledged

(C) Includes \$8,502 Pledged

* As to these items in the above balance sheet of Boston and Maine Railroad, we report that as of December 31, 1957 we have received satisfactory certifications or confirmations from the depositories and others or have examined the cash, stock, bonds, and other securities corresponding to all such amounts recorded on the books of account as at that date.

New York, N. Y.
February 28, 1958

OPPENHEIM, APPEL, PAYSON & CO.
Certified Public Accountants

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Accounts and wages payable	\$ 10,688,374
Loans and notes payable (secured by \$2,000,000 U. S. Treasury Bonds)	1,511,000
Accrued vacation pay	2,163,774
Accrued taxes	1,585,809
Interest payable	2,433,025
Other current liabilities	6,349,838
TOTAL CURRENT LIABILITIES	\$ 24,731,820

MISCELLANEOUS LIABILITIES

Injury, loss and damage, and other reserves	\$ 1,433,618
Deferred liabilities	3,268,141
TOTAL MISCELLANEOUS LIABILITIES	4,701,759

LONG-TERM DEBT

Fixed interest bonds:	
4%, due July 1, 1960	\$47,077,300
4¾%, due April 1, 1961	897,000
5%, due September 1, 1967	2,424,000
Contingent interest bonds:	
4½%, due July 1, 1970	19,368,500
Equipment obligations, due serially 1958-1969 (\$3,127,053 due within one year)	23,712,941
Collateral note due July 16, 1959 (secured by \$2,000,000 U. S. Treasury Bonds)	1,550,000
Equipment Trust Certificates Series No. 1, due serially 1958-1971 (\$1,234,000 due within one year)	17,276,000
TOTAL LONG-TERM DEBT	112,305,741 (A)

CAPITAL STOCK AND SURPLUS

Preferred stock, 5% \$100 par value, 266,796 shares outstanding	\$26,679,680 (B)
Common stock, no par value, 547,608.51 shares outstanding	54,760,851
Unearned surplus	27,347,234
Earned surplus, appropriated	3,073,125
Earned surplus, unappropriated	41,983,717 (C)
TOTAL CAPITAL STOCK AND SURPLUS	153,844,607
TOTAL LIABILITIES AND CAPITAL	\$295,583,927

(A) Excludes Treasury Holdings and Bonds deposited with Trustee in Lieu of Mortgaged Property Sold:

Treasury Holdings:

Series RR 4% Bonds, due July 1, 1960	\$3,767,000
Series A 4½% Bonds, due July 1, 1970	721,000
Series JJ 4¾% Bonds, due April 1, 1961	5,000 Deposited with Trustee
Series AC 5% Bonds, due September 1, 1967	641,000 Deposited with Trustee
	<u>\$5,134,000</u>

(B) Excludes 5,266 Shares Preferred Stock held in Treasury \$526,600

(C) Includes Surplus earned by Lessor Companies before Consolidation

BOSTON AND MAINE RAILROAD

STATEMENT OF INCOME

	<i>Year</i> <i>1957</i>	<i>Year</i> <i>1956</i>	<i>Increase</i> <i>(Decrease)</i>
OPERATING REVENUES			
Freight	\$66,516,504	\$67,941,421	\$(1,424,917)
Passenger, mail and express	14,212,731	14,629,372	(416,641)
All other	5,224,692	5,467,727	(243,035)
TOTAL	<u>\$85,953,927</u>	<u>\$88,038,520</u>	<u>\$(2,084,593)</u>
OPERATING EXPENSES			
Transportation	\$39,600,041	\$39,899,147	\$(299,106)
Maintenance of way	12,099,036	12,567,454	(468,418)
Maintenance of equipment	10,390,598	11,472,103	(1,081,505)
General and other	6,795,192	6,797,813	(2,621)
TOTAL	<u>\$68,884,867</u>	<u>\$70,736,517</u>	<u>\$(1,851,650)</u>
NET REVENUE FROM OPERATIONS	<u>\$17,069,060</u>	<u>\$17,302,003</u>	<u>\$(232,943)</u>
TAXES (EXCEPT FEDERAL INCOME), RENTS, OTHER INCOME AND DEDUCTIONS			
Property taxes, etc.	\$ 2,983,180	\$ 3,178,080	\$(194,900)
Payroll taxes	3,075,216	3,166,552	(91,336)
Equipment rents, net	5,442,531	6,139,479	(696,948)
Joint facility rents, net	440,651	462,516	(21,865)
Other interest, rent, and income, net	(337,826)	(403,022)	65,196
TOTAL	<u>\$11,603,752</u>	<u>\$12,543,605</u>	<u>\$(939,853)</u>
INCOME AVAILABLE FOR FIXED AND CONTINGENT CHARGES	<u>\$ 5,465,308</u>	<u>\$ 4,758,398</u>	<u>\$ 706,910</u>
FIXED AND CONTINGENT CHARGES			
Fixed interest and discount	\$ 3,745,412	\$ 3,066,516	\$ 678,896
Contingent interest	872,525	878,994	(6,469)
Rent for leased roads and equipment	474,930	474,930	—
TOTAL	<u>\$ 5,092,867</u>	<u>\$ 4,420,440</u>	<u>\$ 672,427</u>
INCOME BEFORE FEDERAL INCOME TAXES	<u>\$ 372,441</u>	<u>\$ 337,958</u>	<u>\$ 34,483</u>
FEDERAL INCOME TAXES	<u>(391,721)</u>	<u>(403,267)</u>	<u>11,546</u>
NET INCOME	<u>\$ 764,162</u>	<u>\$ 741,225</u>	<u>\$ 22,937</u>

(Denotes red figures)

BOSTON AND MAINE RAILROAD STATEMENT OF RETAINED INCOME FOR THE YEAR 1957

	<u>Appropriated</u>	<u>Unappropriated</u>	<u>Total</u>
BALANCE AT BEGINNING OF YEAR	\$1,793,229	\$44,483,521	\$46,276,750
ADD			
Net income for 1957	—	764,162	764,162
Excess of principal over cost of bonds reacquired	—	81,049	81,049
Income from special funds, etc.	127,177	—	127,177
Profit from sales of property, principally land	—	136,438	136,438
	<u>\$1,920,406</u>	<u>\$45,465,170</u>	<u>\$47,385,576</u>
DEDUCT			
Provision for injury and loss and damage claims of prior years	\$ —	\$ 645,000	\$ 645,000
Dividend appropriation	—	1,355,310	1,355,310
Retirement of non-depreciable property (authorized by Interstate Commerce Commission)	—	221,170	221,170
Other items, net	9,253	98,001	107,254
	<u>\$ 9,253</u>	<u>\$ 2,319,481</u>	<u>\$ 2,328,734</u>
TRANSFER			
Sinking fund provisions on bonds for year	\$1,161,972	\$ (1,161,972)	\$ —
BALANCE AT END OF YEAR	<u>\$3,073,125</u>	<u>\$41,983,717</u>	<u>\$45,056,842</u>

(Denotes red figures)



Fire at Mystic Coal Docks in summer of 1957.

A detailed financial and statistical supplement to this Report is available. For copies, please address: Maynard W. Bullis, Boston & Maine Railroad, Boston 14, Massachusetts

